Organizational Change and Culture at Netflix

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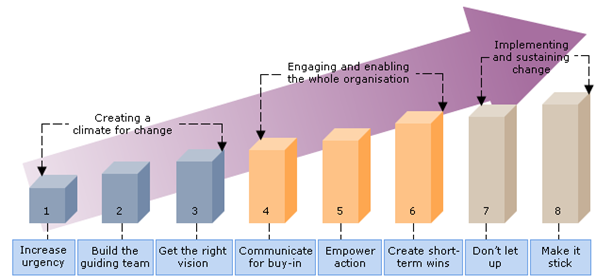
**Organizational Change and Culture at Netflix**

1. **What was the Change Event?**

The change event is the Organizational change and culture at Netflix, which is a powerhouse in the digital entertainment industry. In 1997, Netflix, which Reed Hastings and Marc Randolph co-founded, was a company that was initially initiated as a DVD rental by mail and later modified to become a subscription video streaming platform. Over time, Netflix has grown into a worldwide force in entertainment, and it is famous for its exclusive content production, marketing via innovative delivery channels, and staff work culture (Johnson, 2014).

The Change event at Netflix originated with the purpose of revamping the company's organizational culture in order to meet the challenge of the increasingly complex digital environment and maintain the leading position of the company in the market. This change in Netflix's organizational structure was a turnaround that embraced a radical and fundamental shift from a vertical hierarchal to a horizontally distributed and ad-hoc model. These cultural reforms would include increasing employee autonomy, instilling a culture of creativity and conducting the business in a manner that is transparent and needs accountability (McCord, 2014).

Netflix's change initiative is accessed through various types of change, especially John Kotter's 8-Step Change Model, which is the most suitable and approachable (See Figure 1).

Figure 1: Kotter's 8 Steps Change Process, Source: (Staffnet, n.d)

This model uses a systematic approach to the management of change processes and provides guidelines for those processes across the board. It emphasizes the need for urgency coupled with a champion team (Koutter,1996). Following Kotter's 8-step model in the instance of Netflix, the company successfully created a state of urgency concerning the necessity of cultural studies and managed to mobilize internal key figures in the deployment of the movement.

As an additional category, this change of event may be assigned within the wider process of cultural change – whereby changing the original organizational norms, values and behaviours to achieve organizational objectives is involved (Cameron & Quinn, 2011). Rather than focus on culture change, Netflix sought to remove cultural barriers, teach a new culture of work and embed favourable behaviours at the heart of the organization.

Netflix's cultural transformational process represents a pertinent example of organizational change management in action. Thus, such reorganization and culture transformation throughout Netflix represents a strategic reaction towards the contingent and evanescent nature of the entertainment market in the digital era (O'Reilly & Chatman, 2019). Change is the most difficult; Netflix took the benefit of change models and cultural change frameworks to steer the choppy waters of organizational change successfully and is now well-positioned for long-term success in the age of streaming video.

1. **Why Did the Change Event Happen?**

Netflix's organizational transformation and cultural transition were engendered by several elements that underscored the need to adapt to a quickly changing digital milieu where competition could only be overtaken if the company realigned its strategies. The disruptive revolutionary nature of tech development and the fluctuation of consumer fashions and preferences in the entertainment industry are the most important reasons for the change event occurrence (DiFrancesco, 2019). With the rise of streaming platforms and a rapid change in consumer preferences, Netflix reevaluated its business model and corporate culture with the purpose of staying at pace with revolutionized entertainment.

Another important driver to change came from the call to build an enabling platform for agility and flexibility so that Netflix could compete with existing market conditions. The media and entertainment industry is now demonstrating increased unpredictability and friendly rivalry. Netflix's management understood that the staff should bear the responsibilities of paradigm change, discovering new ways, and reacting fast and timely to emerging opportunities and troubles (McCord, 2014). Agility was the instrumental element that was championed. The idea behind this was used to challenge the old hierarchical structure and bureaucratic management processes that may, if left unchecked, inhibit innovation and impede the company's ability to cope with disruptors seamlessly.

Moreover, Netflix's plan to switch the culture was done with some strategic reason, to bring the culture to align with the core values and goals of the company. Tackling the leadership of Netflix, the chief executive, Mr. Reed Hastings, understood that a perfect culture can become a sustainable competitive advantage that helps to boost employee engagement, promote performance and contribute to the current strategy execution (Hastings, 2020). It sought to change the aspects of its culture to rank transparency, accountability, and meritocracy policies as the topmost factors in the workplace ecosystem. It did this in order to build an atmosphere that would support innovation, collaboration, and constant improvement.

From a theoretical point of view, there are some points of view on the reasons for Netflix's change in events that organizational change concepts and frameworks can enlighten. Similarly, John Kotter's 8-Step Change Model gives the reason for setting a sense of urgency, building a guiding coalition, and forming a compelling vision for the work which should be submitted to each employee (Kotter, 1996). Netflix's leadership effectively applied Kotter's eight steps, i.e., articulating a reason for the change, enrolling key internal people, and endorsing the vision of the new competitive side of themselves.

However, Netflix's change event is also quite useful as it can be viewed through the scheme of Edgar Schein's Organizational Culture Model, which emphasizes the aspects of shared meaning, values, and behaviour as the core components contributing to the organic culture of organizations (Schein, 2010). By discovering and disputing the equilibrium of existing cultural norms and behaviours, such as customer-centeredness, openness to changes, and risk-taking, Netflix finally settled on a culture that met the needs of the digital era. Overall, the network transformation at Netflix resulted from a culmination of 3 major factors, which include tactical disruption, strategic agility, and relating culture to the strategy.

1. **Was the Change Successful or Not?**

To ensure a success-oriented analysis approach, considering both dimensions for the change event’s assessment based on solid evidence, as well as the previously defined metrics, is essential. A factor that determines profitability is financial achievements, generally mirrored by increasing revenue and profits. According to Netflix's quarterly earnings reports, the revenue growth has been on an upward trend. On the other hand, during the fourth quarter of 2021, Netflix had a revenue of $7.84 billion, indicating strong earnings (Netflix Investor Relations, n.d.). The data on the increases in revenue shows that the event had a positive effect as projected.

Employee engagement and happiness is a vital road map for the success of any organization. Glassdoor, a giant platform used for employee reviews, reviews Netflix's employees, showing that they are very happy, and they rated the company 4.4 out of 5 based on their feedback on the survey (Glassdoor, n.d.). Another item to note is the 85% in the context of the internal survey conducted by Netflix as a way of collecting information from employees against their satisfaction after doing a job. This indicates the magnitude of the effect of this change as reflected by the high level of employee engagement and satisfaction and, thus, a dimension of success.

Customer Satisfaction and Loyalty will play a vital role in enhancing business performance. The firm's customer loyalty index, which corresponds to the Net Promoter Score (NPS**),** has amazingly maintained a high level. Statista research data illustrates that NPS was 66 in 2022, which is a sign of great customer loyalty and back support towards services as it is provided by Netflix (Statista, 2022). The effect of change on customer-centricity ranged from underperforming to exceeding expectations, thus working in the company's favour.

Also involved in effectiveness appraisal is the organization's capacity to innovate and accommodate a dynamic environment. Netflix is progressing towards innovation by means of its continuous funding of original content creation plus technology-driven initiatives, which point to its innovation readiness. In 2021, only the company Netflix released original content of more than 400 titles that were popular with series like "Squid Game" and "The Crown" (Variety, 2021). This denotes the positive outcome of the organizational change initiative in the creation of dynamism and innovativeness.

As great as the change event was, evaluating it would also need to consider the obstacles and limits that could hit it. The other triviality can be the reluctance to change among the workforce components. Similarly, there could be difficulties with the establishment of the desired cultural values and behaviours, which are the key to the organization's success (O'Reilly & Chatman, 2019). Although there might be challenges here, they cannot deny the fact that they only happened at the margin of overall change effectiveness, as previously mentioned.

On the whole, evaluation of the important features, including the financial outcome, employee engagement and happiness, customer satisfaction and loyalty, and innovation and flexibility, which were introduced as a result of this change, leads us to the conclusion that the transformation of Netflix went well. It is clear that the event of making changes has raised some questions and imposed some limitations. However, the mainly positive impact that it has left on the organization's performance and culture unquestionably outweighs any minor downsides.

1. **Why was the Change a Success?**

Netflix's continuous innovation and adaptability were shaped by a culture which it pioneered. This culture was a success factor in Netflix's transformation. According to Kotter's 8-Step Change Model, effective leadership is at the core of the change process and the creation of urgency within employees (Kotter, 1996). Through the effort of Netflix CEO Reed Hastings in defining a vision for cultural transformation clear as mud, acceleration movement, trial and error, and risk-taking were all pointed out as critical elements in the ever-changing entertainment industry (Hastings, 2020). Through the innovation and adaptability culture proclamation, Netflix merits the chance to work in emerging trends and continuously have the cutting edge within the industry.

Furthermore, a core value that drove the cultural transformation at Netflix is the alignment between the company's organizational values and business goals. According to Cameron and Quinn, the Competing Values Framework focuses mainly on organizational culture, which is key to strategic alignment and organizational effectiveness (Cameron & Quinn, 2011). Netflix's customer-centric approach, transparency policy and meritocracy strategy that were in line with the strategic priorities provided the company with the opportunity to think and implement projects which are growth and value-creating (McCord, 2014). This strategic convergence nudged the path towards a cohesive and unified method of handling cultural transformation because the overall business strategies were taken into consideration.

Production outsourcing is another reason for this success, as Netflix gives employees a great amount of empowerment and autonomy. O'Reilly and Chatman emphasize that the organizational culture determines how employees behave and perform, with a strong cultural identity being one of the most urgent factors that encourage staff involvement, creativity, and commitment (O'Reilly & Chatman, 2019). Netflix leveraged the dissuasion of decision-making bureaucracy and gave the employees some level of responsibility that helped in cultural change and ownership by the staff members (Fast Company, 2018). Netflix freed employees from the rigidity of daily routines to give them space to innovate so that trust and collaboration would be encouraged to the extent that personal strengths and skills would be used to the full, in turn, to the success of the company.

In addition, a large part of the success of the change was due to Netflix's learning adaptive processes, which were always a priority. Schein's Organizational Culture Model (Schein, 2010) says that organizational culture is permanent, and it runs through time as learning in conjunction with adaptation takes place. Netflix's readiness to change and court-tolerated failures, as well as its constant improvement in its approach, could be attributed to the success, durability, and consolidation of its initial vision (Variety, 2021). Using the practice of never-ending adaptation and the growing culture of learning, Netflix managed to be in front of the curve, foresee the market drain, and react well in time to emerging consumer opportunities.

1. **What Lesson have you Learned about Change Management?**

One of the important things learned from this analysis is that leadership roles play a significant role when we talk about successful transformational programs. As indicated by Kotter's 8-Step Model Change, exemplary leadership is necessary for creating a sense of urgency, communicating vision properly and soliciting support for change (Kotter, 1996). In the startling case of Netflix, its CEO, Reed Hastings, was the architect of the cultural transformation by expressing intriguing ideas about technology upgrading, versatility and empowering individual contributors (Hastings, 2020). This reiterates the point that the main figure of the change initiatives should be charismatic and far-sighted because he/ she should be capable of inspiring and motivating the employees and also directing efforts for achieving organizational goals and dealing with the complexity of change.

On the other hand, the underpinnings of this analysis highlight the vital need to maintain a strategically consistent culture. The Competing Values Framework, as seen through Cameron and Quinn's eyes, shows why culture can shape strategic alignment as well as the effectiveness of an organization (Cameron & Quinn, 2011). The change was primarily due to the media platform's strategic consideration of customers that were centred on values such as honesty in their communication, innovation and the green environment as conveyed in its corporate vision that was supported by its business objectives (McCord, 2014). This underlines the necessity of including strategic planning and organizational goals, when possible, in order to involve high impact and sustainability in cultural transformation efforts.

From here, it is clear that the focus on developing an environment that supports the culture of empowerment and independence is the second takeaway from the analysis. The research performed by O'Reilly and Chatman showed how an organizational culture that is held in high value can lead to employee engagement, creativity, and commitment, hence enhancing the performance of an organization (O'Reilly & Chatman, 2019). The fact that Netflix entrusted its workers to make decisions was what allowed for employee empowerment and partly led to cultural renewal with a sense of ownership and responsibility to perform (Fast Company, 2018). Thus, the marked improvement is caused by the necessity of providing an atmosphere where employees are confident about bringing forward change initiatives, unleashing creativity with new ideas, and contributing significantly to the success of the organization.

Additionally, such analysis builds the capacity to face change and innovation as a large-scale process. Schein's Organizational Culture model conveys the idea of an evolving society and recurrent learning as a prevailing consequence (Schein, 2010). Netflix's ability to adjust, learn from mistakes and continue to come up with better technologies allowed for smoother change and sustainability (Variety, 2021). What comes out of it is that organizations should establish a climate of change and innovation that is based on the realization that changes are happening all the time and have no permanent solutions, so the ability to be flexible, open-minded, and evolve fast is crucial.

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